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Minutes of a Community Development Meeting held by the Town Board of the Town of Riverhead at Town Hall, Howell Avenue, Riverhead, New York, on Tuesday, June 2, 1998, at 7:00 p.m.

Present:

Vincent Villella,	Chairman
Mark Kwasna,	Member
James Lull,	Member
Philip Cardinale,	Member
Christopher Kent,	Member

Also Present:

Andrea Lohneiss,	Director
Barbara Grattan,	Town Clerk
Adam Grossman, Esq.,	Town Attorney

Chairman Villella called the meeting to order and the Pledge of Allegiance was recited.

Chairman Villella: "The time is 9:17. Open up the meeting for the Community Development Agency. Andrea."

Resolution #11

Andrea Lohneiss: "Resolution #11 authorizes matching funds for a grant to be submitted by the Vail-Leavitt Music Hall Inc. for improvements which will include a sprinkler system and handicap access."

Member Kent: "I'll move that resolution."

Member Lull: "Second."

Chairman Villella: "Moved and seconded."

The Vote: "Cardinale, yes; Kent, yes; Kwasna, yes; Lull, yes; Villella, yes. The Resolution is adopted."

Resolution #12

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Andrea Lohneiss: "Authorizes the chairman to execute a contract with FR Acquisitions, Inc. also known as First Industrial Real Estate Investment Trust."

Member Lull: "So moved."

Member Kent: "Second."

Chairman Villella: "Moved and seconded."

The Vote: "Cardinale."

Member Cardinale: "I'd like to make a statement before I vote on this. There has been much thought and a lot of work attributed to this vote. It's been said that reasonable men can disagree reasonably and I think you're about to see that. I am urging my colleagues as I have been during the past two weeks not to vote this resolution. I suspect that they will vote this resolution. It is my position that this resolution is prematurely precluding potential possibilities for the town. I am very concerned about this vote because I believe that we literally will never know what we're missing once we make this vote because it will preclude the possibility of offers for the entire property once we have committed the core parcel to one purchaser."

It is undoubtedly the most important decision we are likely to make during our term of service to the town. As recently as the 18th of this month in Newsday, the article Riverhead Musn't Rush Into Riverhead Land Sale caption led with these two paragraphs.

As powerful developers vie for the right to move into the former U.S. Navy Grumman Corp. property at Calverton, Riverhead officials are pondering decisions of enormous importance to the future of their town. Public officials seldom encounter a chance to make decisions charged with such long term potential. The force of the competition among corporations with resources in the billions of dollars gives the town fathers a rare chance to mold a better economic future.

So my question to my colleagues is this. Why are we rushing this critical decision. At the public hearing last Wednesday, the public repeatedly asked the Board "to be cautious", "to take a

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step back from deciding", "to not pull the trigger too quickly." One of the better quotes I can recall is one who runs is more likely to stumble than one who walks. I believe this advice is generally good, particularly in view of the fact that the National Transportation and Safety Board lease would allow us time and flexibility that we might not otherwise have since it will essentially cover the costs associated with maintaining the entire parcel once we receive it.

The concern I have is basically in two points-- in two major points. I believe that we are underselling the property. I believe that and I refer to a May 8th letter from Grubb & Ellis, our advisors, in which they state in the first two paragraphs the following. Reference is made to our appraisal of the Calverton Naval Weapons Industrial Board dated September 15, 1997. Our appraisal indicated, this is our advisor, the industrial section of the property inclusive of the 1 million 52 thousand square feet of building improvements consisting of industrial buildings, hangers, office buildings and specialized aircraft building had a value of 28 million 176 thousand. This assumed a land area of 282 acres and a marketing period of three years.

I have been told that an investor is interested in buying the industrial core consisting of all the industrial buildings and inclusive of 525 to 550 acres of land. The purchase would include the 10,000 foot long runway. The proposed purchase contains 243 more acres than we allowed in our appraisal of the industrial core. The additional land was valued at \$15,000 per acre, indicating a total value of \$3,645,000 and a combined value of the property that constitutes the proposal of \$31,821,000.

Then they go on to make certain adjustments on May 8th, 1998 which amend their original proposal-- original appraisal of September 15th, '97, bringing what they allege the value down to close to what we're getting.

I also believe in addition to the underselling issue that fundamental fairness necessitates that we give those individuals who have been precluded from offering to purchase the entire parcel since March 10th, the opportunity shortly after July 10th to make those offers formally.

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What should we do since I'm telling my colleagues what I don't think they should do. We should do I believe the following. It seems that logic law and the advice of the public are pointing us to the following simple plan. One. We should adopt zoning to this parcel pursuant to good planning principles only. This simple act will end all the subject to zoning offer and will clarify the situation. It will allow us to focus only on those prospective purchasers interested in developing the property as the Town Board and the Planning Board believe it should be developed. It will also avoid the appearance or reality that we are improperly selling zoning to prospective developers.

Two. We should continue preliminary worldwide marketing of this property but insist on having the deed in hand before going out for formal requests for bids on the property. This will avoid the potential problem of having a buyer lock the town into a sale price and then have extensive delays without the benefit of any inflation rider with regard to closing.

Three. We should request presentation of formal and detailed bids for purchase within a specified time period, 60 days, once the town has received the deed.

And, four, we should accept within 30 days after the 60 day period the best deal for the town as perceived by the RDC and the Town Board at that point. And I note that the best deal for the town at that point might well include the First Industrial offer.

I'm convinced that the most favorable course for the town to pursue is as I set forth here and, finally, I note because I know I'm going down to blazing defeat, with some last gasp with hopefulness here, that this resolution authorizes Supervisor Villella to sign this contract. It does not direct him to do so. So, that's all I have to say."

The Vote (Cont'd.): "Kent."

Member Kent: "Well, I don't want to respond in any way to Mr. Cardinale because I believe we are two reasonable men who have been discussing this proposal for months and although we don't always agree, I believe that we do discuss this reasonably and I'm going to differ with him on this vote. I believe that this

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opportunity to sell the property has come along at a good time. I don't believe that it is important that we wait until we take title to the piece of property before we contract to sell it. I don't understand why we would want to. When we take title to this property, we're going to be burdened with costs of maintaining the property, of securing the property, of making sure certain things on the property are in working order, maintaining a runway that we don't want to see it fall into a state of disrepair and will no longer be able to be used as a runway. And these are all costs that I believe the town does not really want to be burdened with.

I believe selling this property at this time for \$17,000,000 for approximately one-fifth of the site from a well known and credible real estate investor, developer, will help us maintain industrial uses on a site that's always been used as an industrial site for our town. This will ensure that we will have industrial jobs. The property has been used as light industry and should be continued to be used that way.

By selling the property in parcels, I believe parceling it is the best idea because we can realize that there can be the co-existence of diverse uses and potentially the greatest return. In addition to the \$17,000,000 purchase price we will also be receiving 1.8 million dollars as a reimbursement for water mains that the town will install with grant money that we will be receiving from the Economic Development Administration.

In addition we will be receiving \$250,000 a year for three years or more as the town's share of a rental income from the National Transportation Safety Board. So although we're selling the property, we could still receive an income from the rental. We also will be receiving pilot payments in lieu of taxes during the first year when we would not be entitled to tax money otherwise. The town is on the brink of taking title to the 2,900 acre parcel. It's also on the brink of taking on a lot of liability, which I don't think we should. I think by selling off this piece, we will realize money and also save ourselves a lot of exposure to other financial liabilities that we may incur.

So at this time, I'm prepared to vote yes. This is a negotiating process. The contract will be open to the town to pass zoning. We have a 120 day due diligence period, an additional

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30 day period and they also have a period where we cannot close until zoning is in place. And that is all in our control. We also have control over assessing the property and that will be done between now and closing also.

So we have ways to get out of the contract just like the purchaser does but I believe that we should not wait until we have title because then we're just waiting for a lot of liabilities that we will be incurring. It's better to plan for the eventuality of us taking title to the property and I think this is the best deal that we've seen right now and I'm prepared to go forward. So I vote yes."

The Vote (Cont'd.): "Kwasna."

Member Kwasna: "Oh, I guess it's about two months ago I had originally voted no on signing of the letter of intent with First Industrial Properties. Since that time, we've had meetings with the RDC. The main reason why I voted no is because I felt we didn't have enough information on the pending contract and since that time I said we had meetings with the RDC, we had meetings with First Industrial and most of my questions have been answered. There are a few pending questions still lingering out there that I hope the Supervisor will set in stone and come to agreement with before any contract is signed.

Unlike other members on the Board, I've been working on this for over two years now with the RDC and other Town Board members and looking into different proposals. All the proposals that have come into the town on the Grumman property, and as of this date, this First Industrial proposal is the best one. And I would say it's even the best one when you take into consideration the proposals that came in after the fact of the signing of the letter of intent, we also discussed that.

Talking about walking and running. I've been walking on this subject for two years and I feel it's time for the town of Riverhead to start moving ahead. We have the Grumman property issue; we have the aquarium issue; we have the movie theater issue and nothing is being done. This Town Board hasn't acted on anything the past six months. I think it's time we start to act and start to move ahead. For that reason I vote yes."

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The Vote (Cont'd.): "Lull."

Member Lull: "I notice two members of the RDC sitting out there tonight, one somewhat encumbered, and I'd like to thank them for their work that has led to this point. And it is just a point; it's not a final decision obviously. A couple of questions. First of all-- or a couple of responses. First of all, Councilman Cardinale mentioned premature preclusion like that. But this is not any premature preclusion, believe me. And the first serious offer for the Grumman property was in 1994, over eight years ago. We have had since then many offers for the Grumman property. In '95 a major property organization had made an offer. In that same year, a company from Indonesia was in negotiations with the Community Development Agency and two German manufacturers. We have had a variety of different people from amusement park to hotel and golf programs.

The fact is that this has been something that we have been working on with the RDC for two years but the town government itself has been dealing with for four years. Two years ago when I ran for office-- two and a half years ago when Mark and I ran for office and Chris was running at that time, too, we did say over and over again one of the most difficult things and most important things that this Town Board in this next four years is going to have to decide is the issue of the Grumman property. This is a very important decision, one that we need to take carefully. But we also agreed that there were three important things that needed to go into that decision. And those three things were jobs, jobs and jobs. And as soon as possible. The actual amount of money that comes to us from this property should be, in fact, close to what the property is worth and I'm assuming that it will be and, believe me, as the amount of property that is left diminishes, the price will begin going up.

But that's not the real issue. Also, remember Mr. Cardinale gave us some numbers about what the property, this part of the property was actually worth, but when you buy a piece of property the only thing you pay for is useable property. And there is a lot of this property, a lot of the buildings because of one thing or another, asbestos contamination, a variety of other things, entire buildings will be taken down and others will be decontaminated; it's a very expensive process. And that's one of the reasons why

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we get down to the actual value that we are working with right now. So that I believe that for all reasons, for the fact that we are getting what I think is a decent price and Chris outlined some of the extra things that are involved in the deal as far as money is concerned, and because we have been working on this project for so long, and our Community Development Agency and later on joining in the RDC, and finally joined in by Grubb & Ellis have been working very diligently on this and they have done a thorough job. So I think that it's important for us to move forward with this. This is as I said a middle step here. We are moving forward in this contract, for this contract to be signed by the Supervisor. A lot of specific agreements must be made, both from our point of view and from the point of view of the-- who is wishing to buy this property.

If we fit altogether, this is a winner for Riverhead. It is very definitely a winner. And I vote yes."

The Vote (Cont'd.): "Chairman Villella."

Chairman Villella: "Before I put my vote on the table here, I just want to thank my Board here because I'll tell you, this morning it was a little-- got a little bit heated but cooler heads prevailed. We talked it over; we got everything going in the right direction. I want to thank Phil for helping us improve our contract. He actually helped us improve it. And this was a big thing that-- they're just authorizing me to sign the contract. It doesn't mean I'm signing it right now or anything because we are negotiating to making it a better contract for the town of Riverhead. And that's where we stand with this and that's the reason why I vote yes."

Andrea Lohneiss: "The resolution is adopted."

Resolution #13

Andrea Lohneiss: "Authorizes the expenditure of \$5,000 for the Rail Road Museum of Long Island to assist the Rail Road Museum at its new location in renovating restroom facilities to accommodate the public. This resolution intends for the facilities to then support the downtown urban renewal plan, the Railroad Avenue Urban Renewal Plan and the downtown economic development goals."

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Member Kwasna: "I'll make that motion."

Member Lull: "I'll second."

Chairman Villella: "Moved and seconded."

The Vote: "Cardinale, yes; Kent, yes; Kwasna, yes; Lull,"

Member Lull: "Those of you who have not seen the plans for this, this is a real going concern. They're excited about getting started, they have some great ideas. Go visit them. Yes."

The Vote (Cont'd.): "Villella, yes."

Andrea Lohneiss: "The resolution is adopted. That concludes the business of this evening."

Chairman Villella: "Thank you, Andrea."

Meeting adjourned: 9:35 p.m.

Barbara Dutton
Gour Club

Town of Riverhead Community Development Agency

Resolution # 11

Authorizes Matching Funds Towards Historic Preservation Grant for Vail-Leavitt Music Hall

Member KENT offered the following resolution,

which was seconded by Member LULL:

WHEREAS, the Vail-Leavitt Music Hall, constructed in 1881, is the only 19th-century "upstairs opera house" of its type in the New York metropolitan area; and

WHEREAS, the Vail-Leavitt Music Hall was designated as a local landmark on May 1, 1979 and registered as a National and State Historic Place on September 19, 1983; and

WHEREAS, Historic Preservation grant funding under the Environmental Protection Act of 1993 and the Clean Water/Clean Air Bond Act of 1996 is available through the New York State Office of Parks, Recreation and Historic Preservation; and

WHEREAS, a sprinkler system is greatly needed to insure the protection of the Vail-Leavitt Music Hall for the enjoyment of future generations; and

WHEREAS, a handicapped pedestrian lift will provide greater accessibility to the Vail-Leavitt Music Hall for Town of Riverhead residents and visitors; and

WHEREAS, the Council for the Vail-Leavitt Music Hall is applying for grant funds in the amount of \$150,000 towards a total project cost of \$300,000; and

THEREFORE, BE IT FURTHER RESOLVED, that the CDA Board hereby commits \$150,000 (50% of the total project cost) in town funding from available development mitigation fees to the proposed sprinkler installation and handicapped lift project contingent upon approval by the New York State Office of Parks, Recreation and Historic Preservation of the \$150,000 grant requested.

THEREFORE, BE IT FURTHER RESOLVED, that the Town Clerk shall provide a certified copy of this resolution to Community Development Director Andrea Lohneiss and the Council for the Vail-Leavitt Music Hall.

The Vote:

Member Cardinale
Member Kent
Member Kwasna
Member Lull
Chairman Villella

✓ Yes
✓ Yes
✓ Yes
✓ Yes
✓ Yes

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Town of Riverhead Community Development Agency

Resolution # 12

Authorizes Chairman to Execute Contract with FR Acquisitions Inc. (First Industrial Real Estate Investment Trust)

Member Lull _____ offered the following resolution,

which was seconded by Member Kent _____ :

WHEREAS, the Community Development Agency (CDA) anticipates receiving title to the Naval Weapons Industrial Reserve Plant (NWIRP) site from the U.S. Navy in the immediate future; and

WHEREAS, FR Acquisitions Inc. (First Industrial Real Estate Investment Trust) has made a competitive offer to purchase the industrial core of approximately 525 acres, inclusive of buildings and the 10,000 foot runway; and

WHEREAS, said the terms of the proposal include a full cash payment at closing that would provide significant income to the Town of Riverhead; and

WHEREAS, the sale of a portion of the property to a master owner/developer will further provide additional revenue to the Town of Riverhead through the payment of real property taxes levied upon land improvements; and

WHEREAS, said purchase would obviate the Town of Riverhead from operation and maintenance responsibilities, anticipated to approach \$3 million annually, as well as infrastructure improvements estimated at \$5 million; and

WHEREAS, the RDC and the CDA will continue to market the balance of the property (2,400 acres less the 400 acres in the Pine Barrens core) to other parties; and

WHEREAS, the Riverhead Development Corporation (RDC) is incorporated as a Local Development Corporation pursuant to Not-For-Profit Corporation Law as a Type C Corporation for the purpose of the economic redevelopment of the former Naval Weapons Industrial Reserve Plant (NWIRP) at Calverton through the stimulation of economic growth and commercial, industrial, recreational and tourism development pursuant to an approved Comprehensive Reuse Plan; and

WHEREAS, the RDC Board of Directors by Resolution #4 unanimously recommended to the CDA the execution of a letter of agreement with First Industrial REIT based on the substantial merits of their proposal and supported by evaluation and recommendation of the real estate advisor and legal counsel.

WHEREAS, by Resolution #7 the CDA did authorize the execution of said Letter of Intent on March 17, 1998; and

WHEREAS, the RDC by Resolution #5 on May 11 has recommended the approval and execution of the contract of sale between the CDA and FR Acquisitions Inc. (First Industrial Real Estate Investment Trust); and

WHEREAS, information has been available for public review from May 14 and May 27, and public comment has been heard at a public hearing on May 27 beginning at 6:30 p.m. and continued until 5 p.m. on June 2.

THEREFORE, BE IT RESOLVED, that the CDA authorizes the Chairman to execute a contract with FR Acquisitions Inc. (First Industrial REIT) as described.

AND BE IT FURTHER RESOLVED, that the Town Clerk shall provide a certified copy of this resolution to the First Industrial REIT Senior Regional Director Jan Berman and Community Development Agency Director Andrea Lohneiss.

The Vote:

Member Cardinale
Member Kent
Member Kwasna
Member Lull
Chairman Villella

No
Yes
Yes
Yes
Yes

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Adopted

Town of Riverhead Community Development Agency

Resolution # 13

Authorizes Expenditure of Funds for the Rail Road Museum of Long Island

Member KWASNA offered the following resolution,

which was seconded by Member LULL :

WHEREAS, the Rail Road Museum of Long Island has obtained a grant in the amount of \$800,000 from the federal ISTEA Program, and a 20% matching grant from Suffolk County for restoration of Engine 39; and

WHEREAS, the Rail Road Museum of Long Island has been gifted a parcel of property known as Nassau-Suffolk Lumber located at Griffing Avenue adjacent to the Long Island Railroad for the restoration project and for development of a museum and visitors center; and

WHEREAS, volunteers have contributed labor and materials to accomplish the clearance and renovations of existing buildings; and

WHEREAS, in order to meet building code requirements for public access, the provision of handicapped accessible restroom facilities is necessary; and

WHEREAS, it is the desire of the Riverhead Town Board, in recognition of the importance of the Rail Road Museum of Long Island as an attraction in downtown Riverhead, consistent with the goals and objectives of the Rail Road Street Urban Renewal Plan and the goals and objectives of the East Main Street Urban Renewal Plan, to support the efforts of the Rail Road Museum of Long Island project and specifically the provision of handicapped accessible restrooms at the gift shop; and

THEREFORE, BE IT RESOLVED, that the Riverhead Town Board, in its capacity as the CDA, does hereby authorize the expenditure of \$5,000 to the Rail Road Museum of Long Island for construction of said restroom facilities to support the downtown attraction.

AND BE IT FURTHER RESOLVED, that the Town Clerk shall provide a certified copy of this resolution to the Rail Road Museum of Long Island, Financial Administrator Jack Hansen and Community Development Agency Director Andrea Lohneiss.

The Vote:

Member Cardinale
Member Kent
Member Kwasna
Member Lull
Chairman Villella

Yes
Yes
Yes
Yes
Yes